

The Root Problem

Chapter Ten

THE 16th AMENDMENT

Folks, I have called for the repeal of the 16th Amendment to the Constitution of the United States. Whether or not it has to actually be repealed may be a moot point relative to its relationship to the Federal Reserve Act as was brought out in the previous chapter.

The Sixteenth Amendment to the U.S. Constitution reads: *The Congress shall have power to lay and collect taxes on incomes, from whatever source derived, without apportionment among the several States, and without regard to any census or enumeration.*

Consider that the 16th Amendment, essentially creating the income tax, was ratified (a whole question unto itself) in 1913. This is the same year that the Federal Reserve was created. Do you think that this is just a coincidence? Guess what? If you are going to use the Federal Reserve to create debt, who is going to repay that debt? We the People, that's who. The income tax was created to complete the illusion that real money had been lent and therefore real money had to be repaid. The IRS, of course, was established to be the enforcer thereof. Folks, there is no law mandating a personal income tax other than what might be implied in the Internal Revenue Code. And you thought Houdini was good.

Credit and the Federal Reserve

As noted earlier, the U.S. dollar is “private” money derived from private credit. Here's how it works. When Congress borrows money on the credit of the United States, bonds are legislated into existence and deposited as credit entries in Federal Reserve banks. United States bonds, bills and notes constitute money as affirmed by the Supreme Court (Legal Tender Cases, 110 U.S. 421), and this money when deposited with the Fed becomes collateral from whence the Treasury may write checks against the credit thus created in its account (12 USC 391). For example, suppose Congress appropriates an expenditure of \$1 billion. To finance the appropriation Congress creates the \$1 billion worth of bonds out of thin air (see the chapter on Fiat Currency) and deposits it with the privately owned Federal Reserve System. Upon receiving the bonds, the Fed credits \$1 billion to the Treasury's checking account, holding the deposited bonds as collateral.

When the United States deposits its bonds with the Federal Reserve System, private credit is extended to the Treasury by the Fed. Under its power to borrow money, Congress is authorized by the Constitution to contract debt, and whenever something is borrowed it must be returned. When Congress spends the contracted private credit, each use of credit is debt which must be returned to the lender or, in this case, the Federal Reserve. Since Congress authorizes the expenditure of this private credit, the United States incurs the primary obligation to return the borrowed credit. What results when credit is not returned? The National Debt of course (see the chapter on National Debt).

The Federal Income Tax

All credit arising from the Federal Reserve Banking System is private credit. If people accept this private credit and use it to purchase goods and services, they voluntarily incur an obligation; they are required to make a return of income whereby a portion of the income is collected by the IRS and delivered to the Federal Reserve Bank.

The federal income tax actually imparts two separate obligations: (1) the obligation to file a return and (2) the obligation to abide by the Internal Revenue Code. The obligation to make a return of income for using private credit is recognized in law as an obligation imposed upon a person *without his consent* and without regard to any act of his own. This is distinguished from an obligation which is imposed by the operation of law. The voluntary use of private credit imposes the obligation to file a tax return. If private credit is not used or rejected, then the operation of law which imposes the obligation cannot apply. Simply put, if you do not use the private credit system, you do not have to file or pay any income tax. The operative word in all this is “private” and you will see how this plays as we go along.

Private Law vs. Public Law

Folks, the 16th Amendment, which authorized the income tax, is part of our Constitution which is based on *common law*. The personal income tax provision of the Internal Revenue Code, which resulted from the constitution, is *private law*. Clear as mud, right? Do you now understand why I want our Legal system simplified and injected with common sense and why I want our laws written in English as opposed to legalese?

Our federal personal income tax is not really a tax in the ordinary sense of the word but rather a burden or obligation which the taxpayer voluntarily assumes. The burden of the tax falls upon those who voluntarily use private credit. Simply stated the tax imposed is a charge or fee upon the use of private credit. If we were dealing with public law (common law), the income tax would be a direct tax on the individual and a direct tax must be apportioned according to state population. Because of the need for apportionment, the income tax would be unconstitutional.

Consider that our Legal system is based on English Law and there is not, and never has been, any delegation of authority from We the People to the government for the collection of a direct tax on the wages and salaries of the American People. It has been a maxim of English Law since the Magna Carta of 1215 that the People, We the People, must consent to all taxation. *We are being taxed without our Consent!* But, this is where legal gamesmanship comes into play. Because this taxation is private law as previously mentioned, it is not a tax in the ordinary sense. Folks, legal BS aside, it is a tax by any other name and is simply another example of why we need to inject common sense into our legal system.

Following are the legalisms at play which serve to justify the tax:

- A private law is one which is confined to particular individuals, associations, or corporations: 50 Am.Jur. 12, p.28. In the case at hand, the revenue code pertains to taxpayers.
- A private law can be enforced by a court of competent jurisdiction when statutes for its enforcement are enacted: 20 Am.Jur. 33, pgs. 58, 59.
- The distinction between public and private acts is not always sharply defined when published statutes are printed in their final form: Case v. Kelly, 133 U.S. 21 (1890).

- Statutes creating corporations are private acts: 20 Am.Jur. 35, p. 60. In this connection, the Federal Reserve Act is private law.
- Federal Reserve banks derive their existence and corporate power from the Federal Reserve Act: *Armano v. Federal Reserve Bank*, 468 F.Supp. 674 (1979).

A private act may be published as a public law when the general public is afforded the opportunity of participating in the operation of the private law. The Internal Revenue Code is an example of private law which does not exclude the voluntary participation of the general public. Had the Internal Revenue Code been written as substantive public law, the code would be repugnant to the Constitution, since no one could be compelled to file a return and thereby become a witness against himself. Under the fifty titles listed on the preface page of the United States Code, the Internal Revenue Code (26 USC) is listed as having not been enacted as substantive public law, conceding that the *Internal Revenue Code is private law*.

Bouvier's Law Dictionary declares that private law "relates to private matters which do not concern the public at large." It is the voluntary use of private credit which imposes upon the user the quasi contractual or implied obligation to make a return of income.

In "Pollock v. Farmer's Loan & Trust Co.," 158 U.S. 601 (1895), the Supreme Court had declared the income tax of 1894 to be unconstitutional, holding that taxation of rents, wages and salaries must conform to the rule of apportionment. However, when this decision was rendered, there was no privately owned central bank issuing private credit and currency. Rather, public money in the form of legal tender notes and coins of the United States was in circulation. Public money is the lawful money of the United States which the Constitution authorizes Congress to issue.

Two Systems - One Enforcer

We have, today, two competing monetary systems. The Federal Reserve System with its private credit and currency, and the public money system consisting of legal tender United States notes and coins. One could use the public money system, paying all bills with coins and United States notes (if the notes can be obtained), or one could voluntarily use the private credit system and thereby incur the obligation to make a return of income.

Under 26 USC 7609 the IRS has carte blanche authority to summon and investigate bank records for the purpose of determining tax liabilities or discovering unknown taxpayers: "United States v. Berg" 636 F.2d 203 (1980). If an investigation of bank records shows deposits in a single year in excess of whatever is the current personal deduction, the IRS may accept this as prima facie evidence that the account holder uses private credit and is therefore a person obligated to make a return of income. Anyone who uses private credit (e.g. bank accounts, credit cards, mortgages, etc.) voluntarily plugs themselves into the system and obligates themselves to file. A taxpayer is allowed to claim a personal deduction when filing their return. The average taxpayer in the course of a year uses United States coins in vending machines, parking meters, small change, etc., and *this public money must be deducted* when computing the charge for using private credit.

The Twist

On June 5, 1933, the day of infamy arrived. Congress, on that, date enacted House Joint Resolution 192, which provided that the people convert or turn in their gold coins in exchange for Federal Reserve notes.

Through the operation of law, H.J.R. 192 took us off the gold standard and placed us on the dollar standard (fiat currency) where the dollar could be manipulated by private interests for their self-serving benefit. By this single act the people and their wealth were delivered to the bankers (see the chapter on Fiat Currency).

When gold coinage was thus pulled out of circulation, large denomination Federal Reserve notes were issued to fill the void. As a consequence, the public money supply in circulation was greatly diminished, and the debt-laden private credit of the Fed gained supremacy. This action made private individuals who had been previously exempt from federal income taxes now liable for them, since the general public began consuming and using large amounts of private credit.

Notice all the case law prior to 1933 which affirms that income is a profit or gain that arises from a government granted privilege. After 1933, however, the case law no longer emphatically declares that income is exclusively corporate profit or that it arises from a privilege. So, what changed? What's the twist? Two years after H.J.R. 192, Congress passed the Social Security Act, which the Supreme Court upheld as a valid act imposing a valid income tax: "Charles C. Steward Mach. Co. v, Davis" 301 U.S. 548 (1937).

No Dollar Coin - No Accident

That the public money system has become awkward and that the United States is without a dollar unit coin is no accident. *It was planned that way.*

When the Eisenhower dollar coin was issued in 1971 it received widespread acceptance. But because the Treasury minted them in limited numbers, it encouraged hoarding. The same fate befell the Kennedy half dollar, which circulated as silver sandwiched clads between 1965 and 1969 and were hoarded for their intrinsic value. The Eisenhower dollar was supplanted in 1979 by the Susan B. Anthony dollar, an awkward coin that simply didn't catch on as planned. The remaining unit is the privately issued Federal Reserve note unit dollar with no viable competitors. Consider that back in 1935 the Fed had persuaded the Treasury to discontinue minting silver dollars because the public preferred them over dollar bills.

A major purpose behind the 16th Amendment was to give Congress authority to enforce *private law* collections of revenue. Congress had the plenary power to collect income taxes arising from government granted privileges (i.e. corporate profit) long before the 16th Amendment was ratified, and the amendment was unnecessary, except to give Congress the added power to enforce income tax collections under private law (i.e. personal income from whatever source). So, the Fed got its amendment and its private income tax, which is a banker's dream but a nightmare for everyone else.

Through the combined operation of the Fed and H.J.R. 192, the United States pays exorbitant interest whenever it uses its own money deposited with the Fed, and the people pay outrageous income taxes for the privilege of living and working in their own country, robbed of their wealth and separated from their

rights, laboring under a tax system written by a cabal of loan shark bankers and rubber stamped by a spineless Congress.

In Conclusion

As described in the chapter on the Federal Reserve Banking System, Congress has the power to abolish the Federal Reserve System. Abolish the Fed and you destroy the private credit system since the Fed is the private credit system. Destroy the private credit system and the legal gamesmanship to circumvent the constitution with regard to apportionment of direct taxes is no longer viable, thereby obviating the 16th Amendment and the IRS. While this is the most simple and direct way to resolve the issue, Congress must be pushed to do so.

Also described in that chapter were the steps that can be taken to squeeze the Fed by redeeming its notes to the point where the use of private credit becomes compulsory. Remember, the return of income is voluntary under private law (the real purpose and intent of the 16th Amendment). If the use of private credit becomes compulsory, then the obligation to make a return of income is voided. If the Fed is under no obligation to redeem its notes, then no one has an obligation to make a return of income. No return of income, no IRS. And then there is English Law and the fact that we are being taxed without our consent. I wonder how the Courts would react when that gets contested.

Always, as a last resort, in order to motivate Congress to do the right thing, We the People need to march peaceably on Washington, millions of us at the same time speaking with one voice. Consider the peaceful marches and protests of the people in the Middle East (now known as the Arab Spring). Consider the more recent Wall Street protests here in our own country. Coming out and protesting is good but, we need to tell them what we want more so than what we don't want. That is what this Manifesto is all about.

Folks, this country ran real well without a personal income tax before 1913. We don't need it. For those of you who still think we need the income tax to run the government, consider that the final report of the Grace Commission (The Private Sector Survey on Cost Control), convened under President Ronald Reagan in 1982, quietly admitted that none of the funds the government collects from federal income taxes goes to pay for *any* federal government services. The Grace Commission found that those funds were being used to pay for interest on the federal debt, and income transfer payments to beneficiaries of entitlement programs like federal pension plans.

The bottom line is that things have simply gotten worse since 1913. It is the Federal Reserve, our fiat currency and our spineless politicians that are destroying this country financially. This is in addition to stepping on the sovereignty of each state of the union and We the People.

The next chapter, Chapter 11 - Sovereignty and Separation of Power will explain just how the federal government has been getting away with everything by eroding the Constitution, bullying the states and We the People, and manufacturing and dispensing tons of bullshit everyday in every way.